

**BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN**

Application of Wisconsin Energy Corporation
For Approval to Acquire the Outstanding Common
Stock of Integrys Energy Group, Inc.

Docket No. 9400-YO-100

**DIRECT TESTIMONY OF MARK MAIERLE ON BEHALF OF THE
INTERNATIONAL UNION OF
OPERATING ENGINEERS - LOCAL 420**

1 Q. Please state your name, business address and occupation.

2 A. My name is Mark Maierle. I am the business manager of the International Union
3 of Operating Engineers - Local 420 ("Local 420"). My business address is 1140
4 W. Anderson Court, Oak Creek, WI 53154.

5 Q. Please describe your professional and educational background.

6 A. I was elected business manager of IUOE-Local 317 in 2000 and continued as
7 business manager of Local 420 when three IUOE locals merged to form Local
8 420. I was re-elected in 2014. I also currently serve as a vice president of the
9 International Union of Operating Engineers, to which I was elected in 2012 and
10 re-elected in 2013. I was elected to the board of the Wisconsin State AFL-CIO in
11 2014. I previously served on the Milwaukee Area Technical College board of
12 directors and as chair of the Utility Workers Coalition. I worked as a power plant
13 operator and mechanic at WE Energies from 1978 through 1997, when I took a
14 full time position with the union. I attended college part time and earned a

1 Bachelor of Arts in Business Management and Communication from Concordia
2 University in 2000.

3 Q. On whose behalf are you testifying in this proceeding?

4 A. I am testifying on behalf of Local 420.

5 Q. Please describe briefly Local 420 and its members.

6 A. Local 420 is a labor union representing approximately 1800 members who
7 perform equipment operation, maintenance, and other skilled trade services at
8 commercial facilities, schools, utilities, refineries and other industries throughout
9 Wisconsin. Local 420 is part of the International Union of Operating Engineers,
10 an AFL-CIO affiliated Union with nearly 400,000 members throughout the U.S.
11 and Canada. Local 420's members include employees of the utility subsidiaries
12 of both Wisconsin Energy Corporation ("WEC") and Integrys Energy Group, Inc.
13 ("Integrys"). Local 420 was formed in 2012 when three Wisconsin locals of the
14 IUOE merged in 2012.

15 Q. What is the purpose of your testimony?

16 A. I am responding primarily to the direct testimony of WEC witness Scott Lauber
17 regarding the potential impact of the proposed acquisition on the Wisconsin
18 workforce of both companies and their respective utility subsidiaries. My
19 testimony will discuss the potential impact that WEC's proposal to acquire
20 Integrys will have on the companies' Wisconsin-based employees and, by
21 extension, on consumers and the public. I also am testifying as to Local 420's

1 recommendations regarding conditions that the Commission should place on
2 WEC in its final decision if it approves the application.

3 Q. Please summarize your recommendations to the Commission.

4 A. I recommend that the Commission, as a condition of approving the acquisition,
5 direct WEC to maintain the current levels of full time equivalent ("FTE")
6 employees employed by WEC's subsidiary utilities serving Wisconsin ratepayers
7 for five years following the acquisition to ensure that Wisconsin ratepayers
8 continue to receive reliable and cost-effective services from WEC utilities while
9 the Company develops workforce plans. I recommend that the Commission
10 direct WEC to meet and confer with IUOE-Local 420 and other labor unions
11 representing employees of WEC and its subsidiaries regarding post-acquisition
12 workforce planning.

13 Q. Please describe your concerns regarding the Company's proposed plans with
14 respect to the post-acquisition workforce and the potential impact on utility
15 consumers, investors and the public.

16 A. Local 420 is concerned that the Company, in its application, does not commit to
17 retaining the FTE levels of employees at the levels projected by the WE Energies
18 and WPS in their recent rate cases before the Commission. We are likewise
19 concerned that the Company's promise that any reductions of the workforce will
20 occur only through attrition is not adequate to ensure that the ratepayers'
21 interests and the public interests are protected following the proposed
22 acquisition.

1 Q: Please describe the employees of WEC, Integrys, and their subsidiaries who are
2 members of Local 420.

3 A: Local 420's members currently include approximately 525 employees of
4 Wisconsin Electric Power Co. and Wisconsin Gas LLC (operating under the trade
5 name "WE Energies"), principal utility subsidiaries of Wisconsin Energy
6 Corporation. Local 420's members currently include approximately 825
7 employees of Wisconsin Public Service Corporation ("WPS"), a utility subsidiary
8 of Integrys Energy Group, Inc. Local 420 members employed by WE Energies
9 and WPS perform a wide range of skilled trades, including line electrician,
10 substation electrician, plant electrician, gas service worker, utility worker, power
11 plant operator, plant mechanic, instrument technician, laboratory technician,
12 automotive mechanic, customer service representative, dispatcher, equipment
13 tester, hydro operator and mechanic, heavy equipment operator, coal and yard
14 operator, and other utility occupations.

15 Q: Does Local 420 participate in initiatives to train and recruit job candidates for the
16 skilled trades employed by WE Energies and WPS?

17 A: Yes. Local 420 partners with Milwaukee Area Technical College to offer a Power
18 Engineering Diploma program. Program graduates are often referred to WE
19 Energies for employment. The 17-credit diploma program was developed by the
20 Milwaukee Area Power Engineering Consortium that I helped form in 2000.
21 Local employers include WE Energies and Milwaukee Public Schools. Local 420
22 also provides classes in boiler operation and energy conservation at our union

1 office in Oak Creek. Graduates are often referred to WE Energies for
2 employment.

3 Q: Does Local 420 participate in other workforce planning initiatives with WE
4 Energies or WPS?

5 A: Yes. Local 420 is currently developing a more comprehensive workforce
6 recruitment and training program with WE Energies and is discussing a
7 workforce initiative with WPS.

8 Q. Does Local 420 participate in other workforce initiatives to advance and protect
9 the interests of the public and ratepayers, in addition to the interests of its
10 members?

11 A. Yes. Local 420 sponsors the POWER 420 safety program that promotes and tracks
12 job site safety reporting. The union has a Blue Hat safety representative assigned
13 to the Weston Power Plant in Wausau. The union participates in a multitude of
14 company-sponsored safety programs and initiatives. Protecting the health and
15 safety of our members is an extremely high priority for Local 420. The safety
16 programs sponsored by the company and the union benefit the public and
17 ratepayers in the form of more reliable and cost-effective service. We believe that
18 these safety programs are most effectively implemented and observed by a fully-
19 staffed permanent workforce that is not eroded by unfilled vacancies.

20 Q. Have you reviewed portions of the rate case filings in Docket No. 6690-UR-123,
21 Wisconsin Public Service Corporation's Application to Adjust Electric and
22 Natural Gas Rates for Test Year 2015?

1 A: Yes, I have.

2 Q: Have you specifically reviewed WPS's response to PSCW Staff Data Request #69
3 regarding monthly employee counts, filed as PSC Ref. #201421 in Docket No.
4 6690-UR-123 (Ex.-IUOE Local 420-1)?

5 A: Yes, I have.

6 Q: Did WPS provide its projection of the headcount or FTE it believed it would
7 require in the 2015 test year in Exhibit 1?

8 A: Yes, it did.

9 Q: What are the total monthly FTE numbers that WPS stated it will need in 2015?

10 A: Including both regular and seasonal/temporary staff, WPS indicated that it
11 would need between 1417 and 1444 monthly FTE.

12 Q: How did the monthly FTE numbers that WPS furnished for 2015 compare to the
13 data it furnished for 2013?

14 A: The FTE requirements for the 2015 test year are higher than the actual monthly
15 headcounts reported by WPS in 2013.

16 Q: What were the 2013 monthly FTE numbers reported by WPS?

17 A: Including both regular and seasonal/temporary staff, WPS reported actual
18 headcounts of 1,211 to 1,278.

19 Q: What is the difference between the 2013 actual FTE and the 2015 projected FTE as
20 reported by WPS?

21 A: WPS's data shows that it anticipates increasing its FTE count by approximately
22 160 to 200 FTE or 12 to 15 percent.

1 Q: Have you reviewed the Commission's final decision in the WPS rate case in
2 docket 6690-UR-123?

3 A: Yes, I have.

4 Q: Did the Commission's final decision in the WPS rate case order WPS to reduce its
5 revenue requirements related to its labor costs, or otherwise order WPS to reduce
6 its projected FTE counts for the 2015 test year?

7 A: No, it did not.

8 Q: Have you reviewed portions of the rate case filings in Docket No. 5-UR-107, WE
9 Energies' Application to Adjust Electric, Natural Gas, and Steam Rates for Test
10 Year 2015?

11 A: Yes, I have.

12 Q: Have you reviewed WE Energies' response to PSCW's First Data Request
13 regarding monthly employee counts, filed as PSC Ref. #205327 in Docket No. 5-
14 UR-107 (Ex.-IUOE Local 420-2)?

15 A: Yes, I have.

16 Q: Did WE Energies provide its projection of the employee headcount it believed it
17 would require in the 2015 test year in Exhibit 2?

18 A: Yes, it did.

19 Q: What is the average total FTE that WPS projected it will need in 2015?

20 A: WE Energies reported an average monthly headcount of 4,143 for Test Year 2015.

21 Q: What were the 2013 FTE numbers reported by WE Energies?

22 A: WE Energies reported an actual average monthly headcount of 4,063 for 2013.

1 Q: What is the difference in the 2013 actual FTE and the 2015 projected FTE as
2 reported by WE Energies?

3 A: WE Energies data shows that it anticipates that its monthly average FTE count
4 will increase by 80 FTE or approximately 2 percent.

5 Q: Did WE Energies provide an explanation for the increase in the projected 2015
6 headcount over the 2013 actual monthly headcounts and discuss its current
7 staffing levels and recruitment plans in Exhibit 2?

8 A: Yes. WE Energies stated that it "saw an exceptionally high number of
9 retirements" in 2013, with retirements jumping to 204, "more than a 43% increase
10 in retirements over the three year average of 142 per year" from 2010 to 2012.
11 WE Energies stated that it is "actively engaged in the process of replacing those
12 positions." It stated that "[b]ecause we cannot immediately replace a retired
13 employee, 2013 average number of employees and actual number of employees
14 is artificially low. They will remain artificially low until we can re-staff through
15 our normal hiring process." (Ex.-IUOE Local 420-2, p. 1).

16 Q: Did the Company provide other comments on its plans for staffing in the
17 generation business area?

18 A: Yes. The Company stated: "We forecast an increase in staffing for the
19 Generation business area of 44 positions vs. our average headcount for 2013. We
20 evaluate each vacancy to determine if the position must be filled for safety
21 and/or reliability purposes. We have determined several positions where our
22 staffing levels will decrease from the 2013 average because of these vacancy

1 evaluations. Four areas which we will need to fill positions include, among
2 others, Plant Mechanics, Control Room Operators, Plant Operators and General
3 Laborer positions in Power Generation. The Company added several employees
4 in these positions in early 2014 and hopes to continue to fill positions throughout
5 2014.”

6 Q: Have you reviewed the Commission’s final decision in the WE Energies rate case
7 in docket 5-UR-107?

8 A: Yes, I have.

9 Q: Did the Commission’s final decision in the WE Energies rate case order WE
10 Energies to reduce its revenue requirements related to its labor costs, or
11 otherwise order WPS to reduce its projected FTE counts for the 2015 test year?

12 A: No, it did not.

13 Q: Did you review the Joint Applicants Response to the City of Chicago’s data
14 request 2.01-2.33, docketed as PSC Ref. #221029 (Ex.-IUOE Local 420-3) and the
15 Joint Applicants’ Response to Illinois Attorney General’s Second Set of Data
16 Requests AG 2.01-2.13, docketed as PSC Ref. #222031 (Ex.-IUOE Local 420-4)?

17 A: Yes, I reviewed both of those data request responses.

18 Q: What data did the City of Chicago request in Exhibit 3?

19 A: The City of Chicago asked several questions with respect to the promise made in
20 Joint Applicant Ex. 1.0 at 18:383 in the Illinois docket that “Wisconsin Energy will
21 agree to maintain at least 1,953 FTE employee positions in Illinois for two years
22 after the closing of the Transaction.” The City of Chicago’s questions included

1 whether the Joint Applicants had developed any criteria for determining which
2 positions would be maintained, and whether the Joint Applicants were willing to
3 maintain the current mix of position types to assure a comparable economic
4 impact for the proposed period of the jobs commitment.

5 Q: How did the Joint Applicants respond to the data request shown in Exhibit 3?

6 A: The Joint Applicants stated that WEC has not developed any criteria with respect
7 to the 1,953 FTE employee positions to be maintained in the State of Illinois for
8 two years after the closing of the Transaction, but state that the current mix of
9 positions with respect to “executive positions” cannot be maintained because the
10 WEC Energy Group headquarters will be located in Milwaukee, Wisconsin, and
11 as such, cannot assure a comparable economic impact.

12 Q: What data did the Illinois Attorney General request and what was the response
13 of the Joint Applicants, as reflected in Exhibit 4?

14 A: The Illinois Attorney General asked the Joint Applicants to explain how they
15 would maintain the 1,953 FTEs employee positions in Illinois, how many
16 positions would be allocated to each of the joint applicants’ two Illinois utilities
17 and to other Integrys entities, and how quickly the Joint Applicants would fill
18 positions at each entity.

19 Q: What was the Joint Applicants’ response to this data request, as reflected in
20 Exhibit 4?

21 A: The Joint Applicants stated that “In the event vacancies occur that cause the
22 number of FTE employee positions in Illinois to be reduced to below 1,953

1 during the period of the commitment expressed in JA Exhibit 1.0, at 18:383-384,
2 the Joint Applicants would seek to fill the vacant position(s) as expeditiously as
3 possible, using the normal means of advertising and/or recruiting to identify a
4 person interested in and qualified for the position(s) in question.

5 Q: Has WEC made a similar commitment to maintain a specific level of FTE
6 employees in its Wisconsin utility subsidiaries or other Wisconsin-based work
7 sites?

8 A: No, it has not.

9 Q: Has WEC stated that it is unable to commit to maintain a specific level of FTE
10 employees at its Wisconsin work sites?

11 A: No; to the contrary, WEC witness Scott Lauber testified that “the Transaction is
12 not motivated by a desire to consolidate operations and rapidly achieve large
13 cost savings as a result of massive reductions in the work force” (Direct-WEC-
14 Lauber-5) and that “the Transaction is not motivated by a desire to immediately -
15 - or even in 6 the medium term -- significantly reduce employee headcount”
16 (Direct-WEC-Lauber-7).

17 Q: Has WEC indicated in its testimony or responses to data requests that it has
18 developed a plan to reduce its Wisconsin workforce within the five years
19 immediately following acquisition?

20 A: No. WEC has affirmatively represented in its testimony that it has not yet
21 developed such plans but “plans to develop and execute specific merger
22 integration plans over time” (Direct-WEC-Reed-39). In response to data request

1 PSC 10.29, docketed as PSC Ref. #224091, it explained that “[a]s such, an estimate
2 of total company merger savings and the amounts that would flow to each
3 subsidiary of WEC and Integrys have not yet been identified.” (Ex.-IUOE Local
4 420-5). Further, in response to data request PSC-10.20, docketed as PSC Ref.
5 #224089 WEC indicated that the expected merger savings estimate of “three to
6 five percent of non-fuel O&M,” as referenced in the pre-filed testimony of
7 Company Witness Reed (Direct-WEC-Reed-34), “assumes that the Transaction is
8 approved as proposed, and is expected to occur after a five to ten year ramp-up
9 period.” (Ex.-IUOE Local 420-6).

10 Q: What benefits are there to the ratepayers and the public of an order point
11 committing WEC to maintain FTE counts of its unionized employees at the
12 Wisconsin work sites of the Company, its subsidiaries, and affiliates at least at
13 the levels provided by WEPCO and WPS in their 2015 rate cases?

14 A: A commitment by WEC to maintain the FTE levels of its unionized employees at
15 the Wisconsin work sites of the Company, its subsidiaries, and affiliates at the
16 levels reported by WE Energies and WPS in the 2015 rate cases will ensure that
17 Wisconsin ratepayers and the public will continue to receive adequate, safe,
18 reliable, and cost-effective services from WEC’s Wisconsin utilities during the
19 transition period following the merger. An order point directing WEC to
20 maintain FTE levels for five years following the proposed acquisition will ensure
21 that WEC will not unnecessarily hold positions vacant during the relatively short
22 term during which WEC does not anticipate that the transaction will result in

1 cost savings, and will ensure that any future reductions in workforce occur
2 systematically in accordance with a workforce plan. Local 420 further
3 recommends that the Commission order WEC to meet and confer with Local 420
4 and other employee representatives in developing a post-acquisition workforce
5 plan.

6 Q: Does this conclude your testimony?

7 A: Yes , at this time. If additional information becomes available, I will supplement
8 this testimony as appropriate.